



TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jess Benson

DATE: November 8, 2011

Monthly Medicaid Forecast - October 2011

Forecasting Group. Staff members from the Department of Human Services (DHS), the Department of Management (DOM), and the Fiscal Services Division of the LSA met on October 28, 2011, to discuss estimated Medical Assistance (Medicaid) expenditures for FY 2012 and FY 2013. The forecasting group meets monthly to discuss estimated expenditures and agree on a range for the current and upcoming fiscal years.

Medicaid Balance Sheet			
	<i>Final FY 2011</i>	<i>Estimated FY 2012</i>	<i>Estimated FY 2013</i>
Medicaid Funding			
Carryforward from Previous Year	\$ 57,523,302	\$ 27,700,401	\$ 0
Veterans Home Transfer	0	2,447,911	0
Behavioral Health Account Carryforward	2,082,504	1,285,265	0
Senior Living Trust Fund	40,437,372	0	0
Transfer from Decat Waiver Waiting List	1,925,000	0	0
Cash Reserve Fund	178,693,397	0	0
Medicaid Fraud Account	0	0	2,000,000
Health Care Transformation Account	0	1,956,245	1,956,245
Health Care Trust Fund	106,599,657	106,363,275	106,363,275
Nursing Facility Quality Assurance Fund	32,458,722	26,500,000	26,500,000
Hospital Trust Fund	31,036,672	36,957,766	33,898,400
hawk-i Performance Bonus	6,760,901	9,430,805	7,860,256
Total Non-General Fund for Medicaid	\$ 457,517,526	\$ 212,641,668	\$ 178,578,176
General Fund Appropriation	\$ 393,683,227	\$ 909,993,421	\$ 914,993,421
Covering All Children	2,297,649	0	0
Total All General Fund Sources	\$ 395,980,876	\$ 909,993,421	\$ 914,993,421
Total Medicaid Funding	\$ 853,498,402	\$ 1,122,635,089	\$ 1,093,571,597
Total Estimated State Medicaid Need			
ARRA FMAP	\$ 1,011,653,932	\$ 1,122,635,089	\$ 1,193,571,597
Behavioral Health Carryforward	-187,141,196	0	0
Behavioral Health Carryforward	1,285,265	0	0
Total Estimated Medicaid Need	\$ 825,798,001	\$ 1,122,635,089	\$ 1,193,571,597
Midpoint of Balance/(Under Funded)	\$ 27,700,401	\$ 0	\$ -100,000,000
ARRA - American Recovery and Reinvestment Act			

FY 2011 Final. Medicaid ended FY 2011 with a surplus of \$27.7 million dollars. The majority of the surplus was anticipated by the Legislature during budget deliberations and these funds are included in the FY 2012 budget estimates. For FY 2011, the State received an additional \$187.1 million dollars in ARRA funding. In total, over the three years ARRA was in place the State received \$525.7 million in enhanced FMAP for the regular Medicaid program. The total average enrollment for FY 2011 was 380,749, with monthly enrollment at the end of the year reaching 386,336 individuals.

FY 2012 Range. At the October forecasting meeting the group agreed Medicaid will have a need of \$15.0 million to a surplus of \$15.0 million, with a midpoint of no additional funds needed for FY 2012. The range includes the following savings and expenditures as enacted in HF 649 (FY 2012 Health and Human Services Appropriations Act):

- An increase of \$8.5 million for the Children's Health Insurance Program performance bonus.
- A decrease of \$20.2 million due the implementation of the Governor's targeted savings strategies. (For more information on the strategies that are being implemented please contact me.)
- An increase of \$11.6 million to increase nursing facility rates.
- An increase of \$5.0 million to reduce the Home and Community-Based Services (HCBS) waiver waiting list for the Children's Mental Health, Brain Injury and Intellectual Disabilities Waivers.
- An increase of \$3.0 million to increase the pharmacy dispensing fee.
- An increase of \$1.5 million to increase reimbursement for HCBS waiver providers.
- An increase of \$350,000 to increase Psychiatric Medical Institutes for Children (PMIC) reimbursement rates.
- An increase of \$1.0 million to reverse changes made to move mental health drugs to the preferred drug list in SF 2088 (FY 2011 Government Reorganization and Efficiency Act). *This item was vetoed by the Governor and will decrease estimated FY 2011 expenditures by \$500,000 and FY 2012 by \$1.0 million.*

The estimated need for FY 2012 was decreased due to both lower expenditures and increased carryforward in FY 2011.

FY 2013 Range. At the October forecasting meeting the group agreed Medicaid will have a need of \$80.0 million to \$120.0 million, with a midpoint of \$100.0 million needed for FY 2013. The range includes the following savings and expenditures as enacted in HF 649 (FY 2012 Health and Human Services Appropriations Act):

- An increase of \$36.4 million due to declining FMAP rate.
- An increase of \$5.0 million to reduce the waiting list for all HCBS waivers.
- An increase of \$4.2 million due to a transfer of funds to the IowaCare Program.

Federal Fiscal Year 2013 FMAP. The federal government released the final FMAP rates for Federal Fiscal Year (FFY) 2013. Iowa's FMAP rate was reduced by 1.12% compared to FFY 2012. The reduction is significant, but less than the 1.91% reduction the State received between FFY 2011 and FFY 2012. The Medicaid forecasting group has built in a \$36.4 million increase to account for the change in FMAP rates. The FMAP rate will also affect other programs that receive Medicaid match such as IowaCare and the State Resource Centers, as well as hawk-i which receives an enhanced match rate.

The FMAP formula, as required by federal statute, is based on a rolling three-year average of per capita income for each state and is produced by the U.S. Department of Commerce's Bureau of Economic Analysis. The formula is designed to provide states that have lower per capita income compared to the U.S. as a whole with a greater share of financial assistance. The statute contains both minimum and

maximum percentages so no state will have to pay for more than 50.0% of the cost and the federal government will not pay for more than 83.0% of the cost. Below is a five-year snapshot of Iowa's blended FMAP rate. The rate is blended over two federal fiscal years to account for the federal fiscal year starting in October as opposed to July start for the State.

Five Year State Regular Medicaid FMAP			
State Fiscal Year	Federal Share	State Share	Federal % Change
FY 2009	62.40%	37.60%	0.60%
FY 2010	63.29%	36.71%	0.89%
FY 2011	62.85%	37.15%	-0.44%
FY 2012	61.19%	38.81%	-1.66%
FY 2013	59.87%	40.13%	-1.32%

For more information on FMAP rates please see the Fiscal Topic titled Federal Medical Assistance Percentage (FMAP) Rates: http://www.legis.iowa.gov/DOCS/LSA/Fiscal_Topics/2011/FTJRB000.PDF

Enrollment Increase. Medicaid continues to grow, but at a slower pace than the past several years. In FY 2009, the Program added a total of 31,794 individuals, including 25,935 children. In FY 2010, the Program added an additional 27,164, including 19,286 children. In FY 2011, the Program added 13,735 individuals, including 8,704 children. In the first four months of FY 2012 the Program added 7,223 individuals for a total program enrollment of 393,559.

Medicaid Enrollment Increases/(Decreases) for FY 2012					
FY 2012	Children	Adults	Aged	Disabled	Total
July	271	93	34	288	686
August	1,377	733	123	445	2,678
September	376	-113	48	129	440
October	2,218	653	143	405	3,419
Total FY 2012	4,242	1,366	348	1,267	7,223
Grand Total	225,172	63,566	30,025	74,796	393,559